

HENRIEVILLE TOWN
FINANCIAL STATEMENTS
JUNE 30, 2005

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council
Henrieville Town
Henrieville, Utah 84736

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Henrieville Town as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Henrieville Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Henrieville Town as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2005, on our consideration of Henrieville Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 38 through 40 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



KIMBALL & ROBERTS, P. C.
Certified Public Accountants

December 13, 2005
Richfield, Utah

HENRIEVILLE TOWN MANAGEMENT'S DISCUSSION AND ANALYSIS For The Year Ended June 30, 2005

This discussion of Henrieville Town's financial performance provided an overview of the Town's financial activities for the year ending June 30, 2005. This report is in conjunction with the Town's financial statements.

The purpose of the Town is to provide general services to its residents which includes general government, public safety, highways and public improvements, culture and recreation.

Financial Highlights

- * The assets of the Town exceeded its liabilities as of the close of the most recent year by \$994,456 (net assets). Of this amount, \$65,767 (unrestricted net assets) which may be used to meet its ongoing obligations to citizens and creditors.
- * The government's total net assets increased by \$76,235. The revenues were less than the adopted budgeted amounts, and expenditures were less than the adopted budgeted amounts in the general fund.
- * At the close of the current year, the Town's governmental fund reported ending fund balance of \$99,710, an increase of \$6,384 in comparison with the prior year. Approximately 26 percent of this total amount \$26,110, is available for spending at the government's discretion (unreserved fund balance).
- * At the end of the current year, unreserved fund balance for the general fund was \$26,110, or 101 percent of total general fund expenditures.
- * The Town's total debt decreased by \$14,567 during the current year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Town include general government, public safety, highways and public improvements, and culture and recreation. The business-type activity of the Town is the water operations.

Refer to the table of contents for the location of the government-wide financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and enterprise funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Henrieville Town maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund.

The Town adopts an annual appropriated budget for its governmental fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with those budgets.

Refer to the table of contents for the location of the basic governmental fund financial statements.

Proprietary Funds

Henrieville Town maintains one proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the water operations.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

Notes To The Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Henrieville Town's, assets exceeded liabilities by \$994,456 at the close of the most recent fiscal year. By far the largest portion of the Town's net assets (81 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Town's net assets (12 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$65,767, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Henrieville Town's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and Other Assets	99,710	93,326	87,552	429,541	187,262	522,867
Capital Assets	223,348	237,828	921,895	510,142	1,145,243	747,970
Total Assets	323,058	331,154	1,009,447	939,683	1,332,505	1,270,837
Long-Term Liabilities	-	-	323,439	338,085	323,439	338,085
Other Liabilities	-	-	14,610	14,531	14,610	14,531
Total Liabilities	-	-	338,049	352,616	338,049	352,616
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	223,348	237,828	583,846	157,526	807,194	395,354
Restricted	73,600	65,706	47,895	393,562	121,495	459,268
Unrestricted	26,110	27,620	39,657	35,979	65,767	63,599
Total Net Assets	323,058	331,154	671,398	587,067	994,456	918,221

Governmental Activities

Governmental activities decreased Henrieville Town's net assets by \$8,096.

Henrieville Town Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for Services	1,214	3,653	35,856	32,851	37,070	36,504
Operating Grants	11,682	11,556	-	-	11,682	11,556
Capital Grants	-	-	72,646	208,693	72,646	208,693
General Revenues:						
Property Taxes	4,251	2,121	-	-	4,251	2,121
Other Taxes	11,019	12,000	-	-	11,019	12,000
Other	1,098	2,276	-	-	1,098	2,276
Unrestricted Investment Earnings	3,040	1,249	3,418	1,792	6,458	3,041
Total Revenues	32,304	32,855	111,920	243,336	144,224	276,191
Expenses:						
General Government	15,333	13,344	-	-	15,333	13,344
Public Safety	6,509	6,984	-	-	6,509	6,984
Highways and Public Improvements	13,304	12,571	-	-	13,304	12,571
Culture and Recreation	5,254	8,028	-	-	5,254	8,028
Water Operations	-	-	27,589	23,497	27,589	23,497
Total Expenses	40,400	40,927	27,589	23,497	67,989	64,424
Increase in Net Assets	(8,096)	(8,072)	84,331	219,839	76,235	211,767
Net Assets - Beginning	331,154	339,226	587,067	367,228	918,221	706,454
Net Assets - Ending	323,058	331,154	671,398	587,067	994,456	918,221

* The City received operating grants of \$11,682. Of this amount, \$9,605 was received for Class C Roads.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-Type Activities

Business-type activities increased the Town's net assets by \$84,331. A capital grants of \$72,646 were received to help pay for a new water project, including a new tank, new water lines and if necessary, a new well.

* The total increase in the business-type activities costs for the water fund is attributed to capital grants received.

* Grant funds expended on construction for the water project at year end was \$421,870.

* The depreciation in the enterprise funds remained the same as the prior year.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, the Town's governmental fund (general fund) reported an ending fund balance of \$99,710, an increase of \$6,384 in comparison with the prior year. Approximately 265 percent of this amount, \$26,110, constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to highways and public improvements for \$73,600.

As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 101 percent of total general fund expenditures, while total fund balance represents 385 percent of that same amount.

Proprietary Funds

The Town's proprietary fund provides the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the water fund at the end of the year was \$39,657. Other factors concerning the finances of these funds has already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

There were no differences between the beginning and ending budgets.

Actual revenues were less than budgeted revenues by \$49,796 and actual expenditures were less than budgeted expenditures by \$56,180 resulting in a net increase in fund balance of \$6,384.

Capital Asset and Debt Administration

Capital Assets

Henrieville Town's investment in capital assets for its governmental activities as of June 30, 2005, was \$223,348 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment and infrastructure, which includes roads and highways.

The Town had no capital additions in the general fund this year.

Henrieville Town's Capital Assets
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	43,820	43,820	-	-	43,820	43,820
Infrastructure	78,000	87,750	-	-	78,000	87,750
Buildings	95,528	99,508	-	-	95,528	99,508
Improvements Other than Buildings	-	-	335,131	345,048	335,131	345,048
Equipment	6,000	6,750	900	1,100	6,900	7,850
Construction in Progress	-	-	585,864	163,994	585,864	163,994
Total	223,348	237,828	921,895	510,142	1,145,243	747,970

Additional information on the Town's capital assets can be found in the notes to the financial statements.

Long -Term Debt

At the end of the current year, the Town's had total bonded debt outstanding of \$338,049. The debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

Henrieville Town's Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenue Bonds	-	-	338,049	352,616	338,049	352,616

State statutes limit the amount of general obligation debt a governmental entity may issue which is 12 percent of its total fair market value of taxable property in the Town. The Town has no general obligation debt.

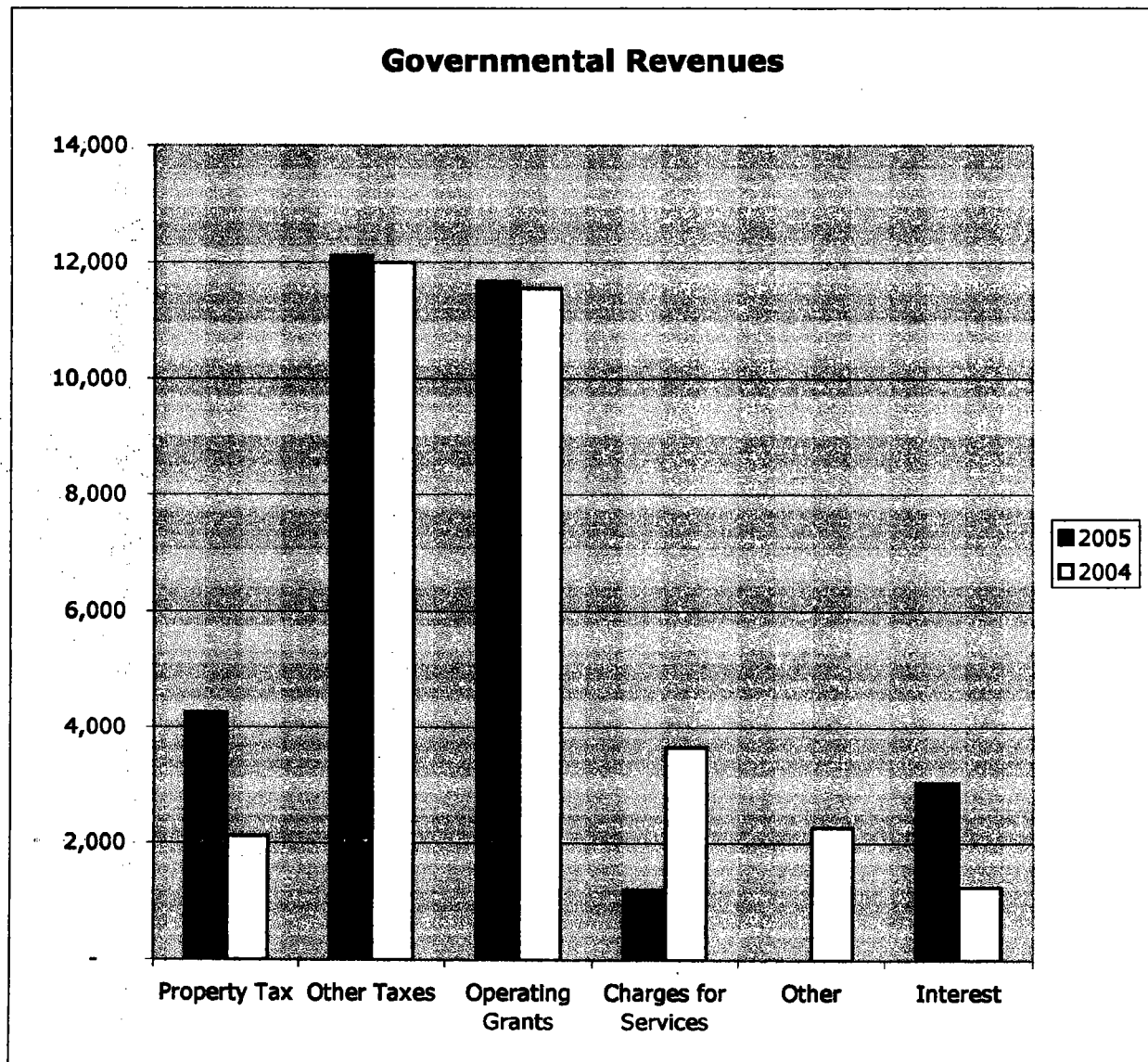
Additional information on Henrieville Town's long-term debt can be found in the notes of the financial statements.

Request for Information

This financial report is designed to provide a general overview of Henrieville Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Henrieville Town Clerk, P.O. Box 125, Henrieville, Utah, 84736.

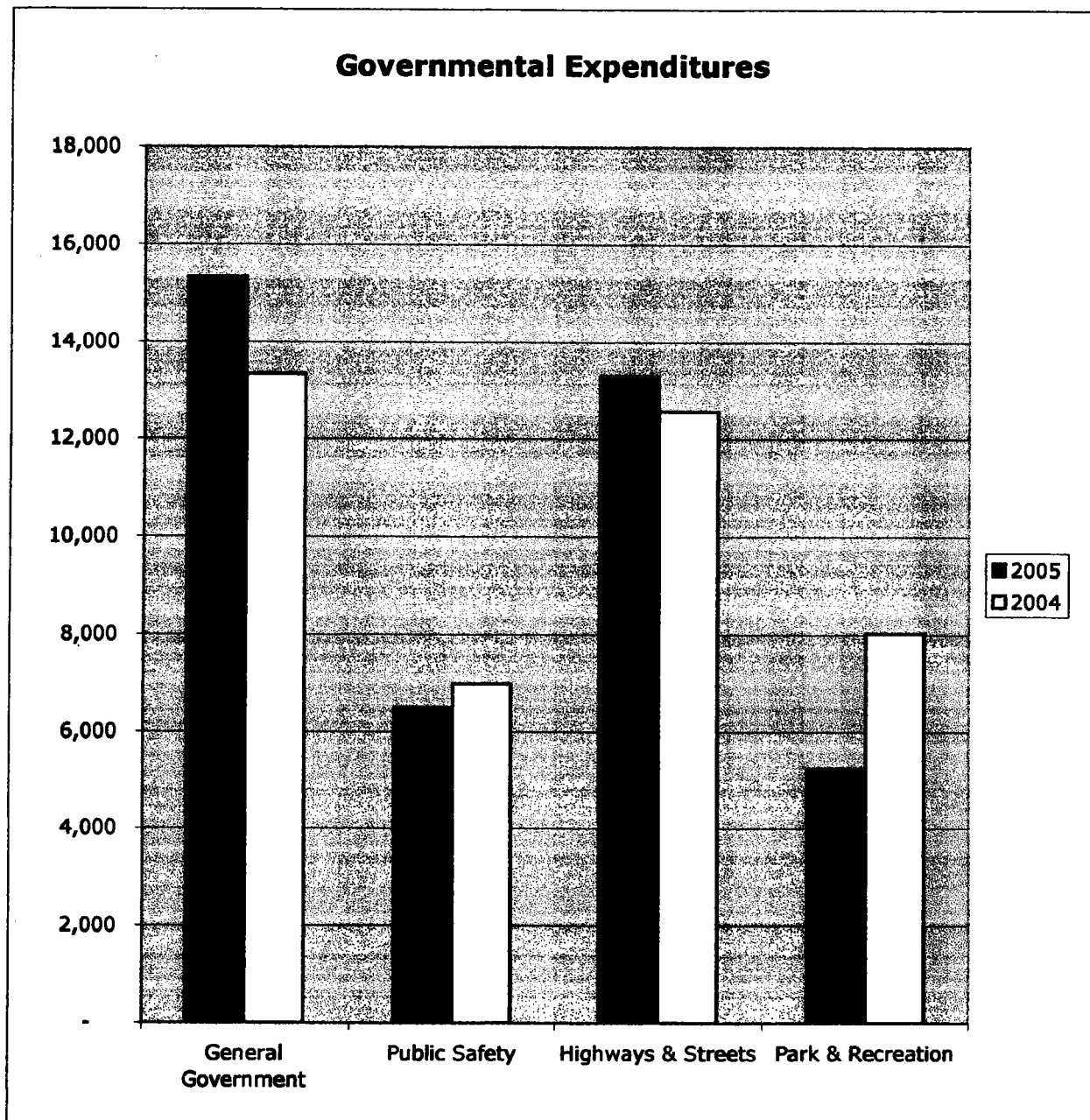
Henrieville Town
Governmental Revenues
For The Fiscal Years Ending June 30, 2005 and 2004

	2005	2004
Property Tax	4,251	2,121
Other Taxes	12,117	12,000
Operating Grants	11,682	11,556
Charges for Services	1,214	3,653
Other	-	2,276
Interest	3,040	1,249
Total Revenues	32,304	32,855



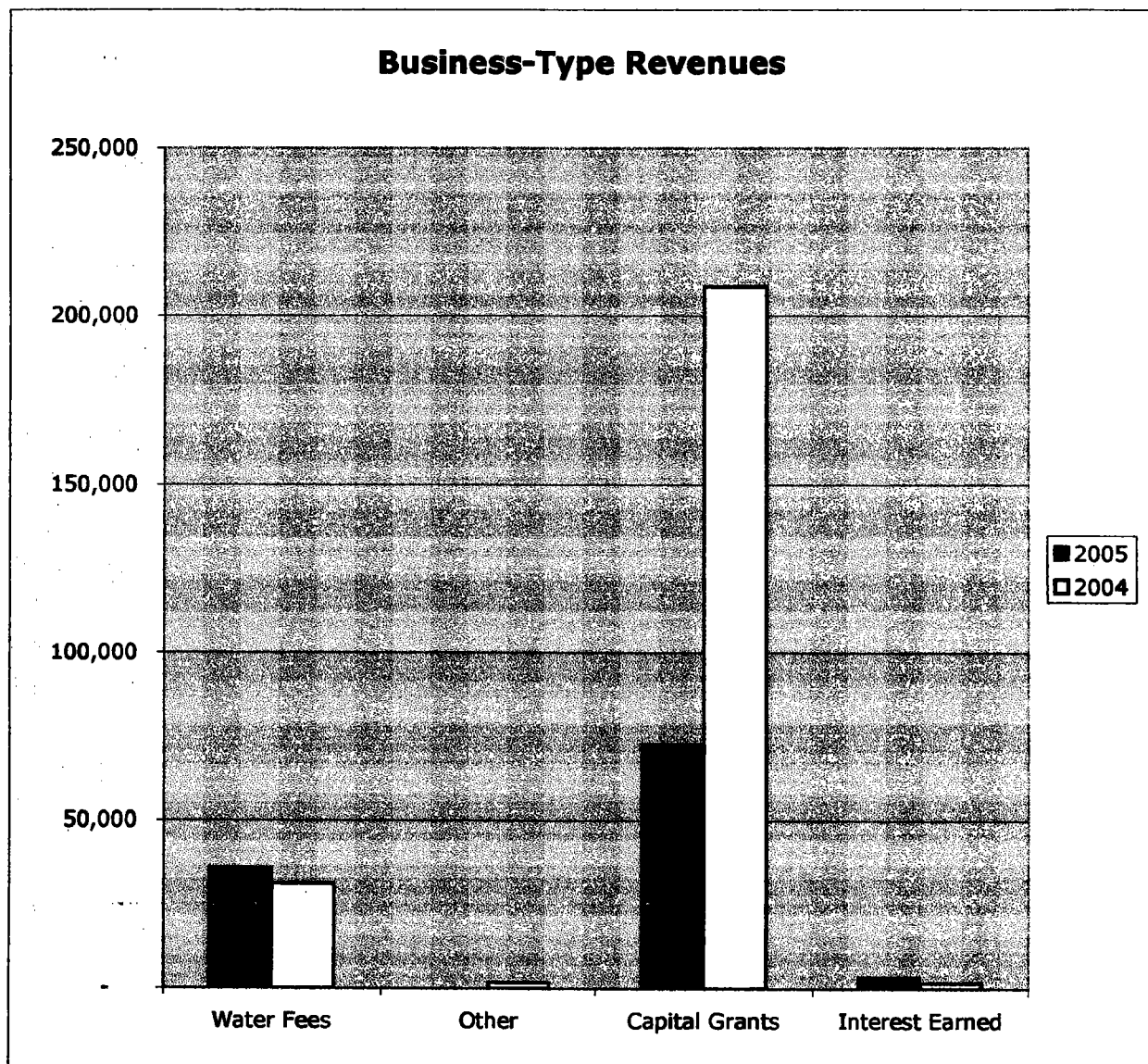
**Henrieville Town
Governmental Expenditures
For The Fiscal Years Ending June 30, 2005 and 2004**

	2005	2004
General Government	15,333	13,344
Public Safety	6,509	6,984
Highways & Streets	13,304	12,571
Park & Recreation	5,254	8,028
Total Expenditures	40,400	40,927



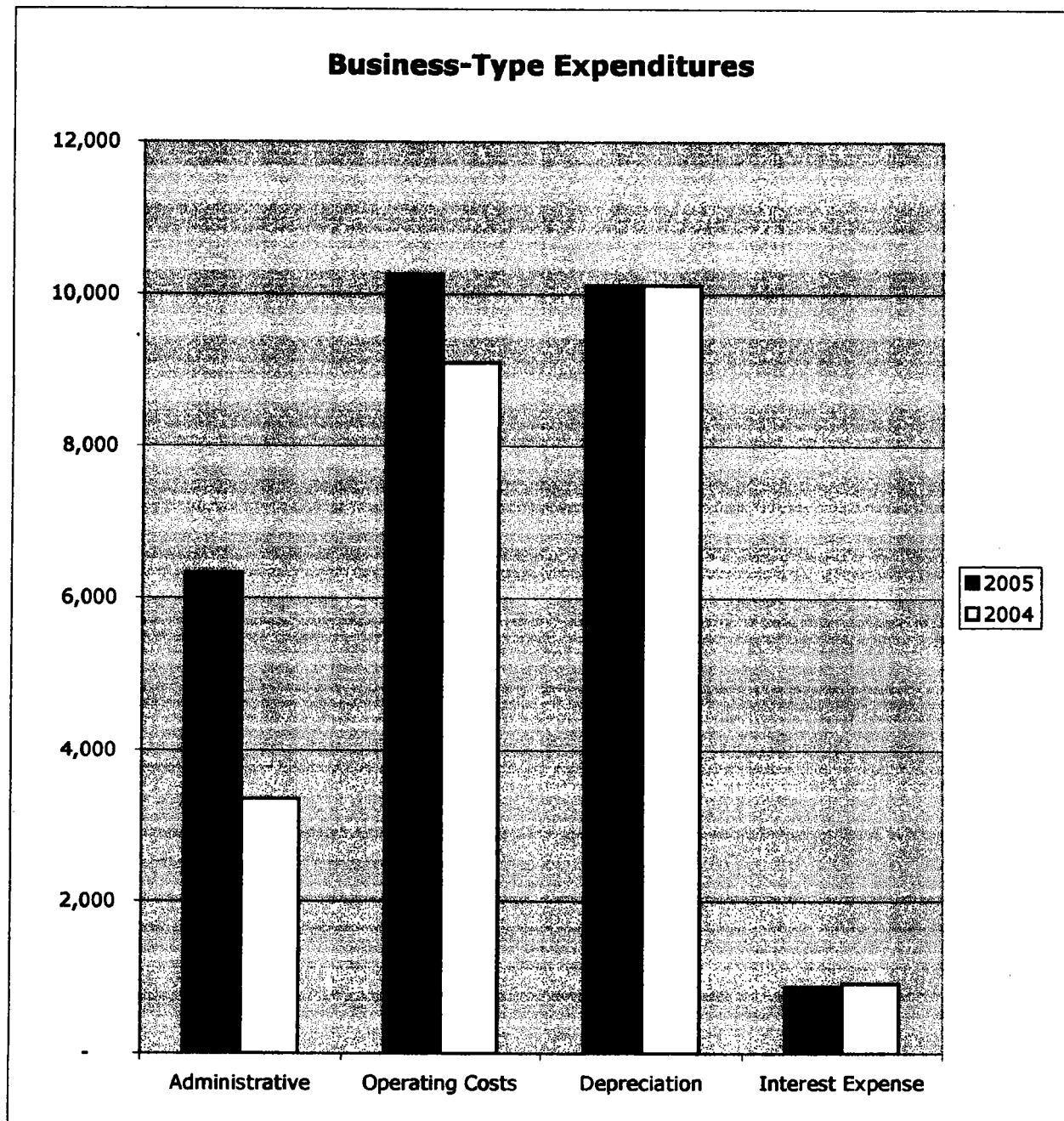
**Henrieville Town
Business-Type Revenues
For The Fiscal Years Ending June 30, 2005 and 2004**

	2005	2004
Water Fees	35,856	31,105
Other	-	1,746
Capital Grants	72,646	208,692
Interest Earned	3,418	1,792
Total Revenues	111,920	243,335



**Henrieville Town
Business Type Expenditures
For The Fiscal Years Ending June 30, 2005 and 2004**

	2005	2004
Administrative	6,332	3,355
Operating Costs	10,259	9,103
Depreciation	10,117	10,117
Interest Expense	881	922
Total Expenditures	27,589	23,497



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is used to assist in formatting, for easier reading)

BASIC FINANCIAL STATEMENTS

HENRIEVILLE TOWN STATEMENT OF NET ASSETS

June 30, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	98,252	36,624	134,876
Accounts Receivable (Net)	-	3,013	3,013
Due From Other Governmental Units	1,458	-	1,458
Total Current Assets	99,710	39,637	139,347
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	-	47,915	47,915
Capital Assets (Net of Accumulated Depreciation):			
Land	43,820	-	43,820
Buildings	95,528	-	95,528
Improvements Other Than Buildings	-	119,439	119,439
Water System	-	215,692	215,692
Equipment	6,000	900	6,900
Infrastructure	78,000	-	78,000
Construction In Progress	-	585,864	585,864
Total Noncurrent Assets	223,348	969,810	1,193,158
TOTAL ASSETS	323,058	1,009,447	1,332,505
LIABILITIES			
Current Liabilities:			
Revenue Bonds Payable - Due Within One Year	-	14,610	14,610
Noncurrent Liabilities:			
Revenue Bonds Payable - More Than One Year	-	323,439	323,439
TOTAL LIABILITIES	-	338,049	338,049
NET ASSETS			
Investment in Capital Assets, Net of Debt	223,348	583,846	807,194
Restricted For:			
Bond Reserves	-	17,560	17,560
Construction	-	30,335	30,335
Class "C" Road	73,600	-	73,600
Unrestricted	26,110	39,657	65,767
TOTAL NET ASSETS	323,058	671,398	994,456
TOTAL LIABILITIES AND NET ASSETS	323,058	1,009,447	1,332,505

The notes to the financial statements are an integral part of this statement.

HENRIEVILLE TOWN STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2005

	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
	Charges for Services	Operating Contributions	Grants/Capital Grants/ Contributions	Governmental Activities	Business-Type Activities	Total
Function/Programs Primary Government:						
Governmental Activities:						
General Government	15,333	277	-	(15,056)	-	(15,056)
Public Safety	6,509	-	2,077	(4,432)	-	(4,432)
Highways and Public Improvements	13,304	-	9,605	(3,699)	-	(3,699)
Culture and Recreation	5,254	937	-	(4,317)	-	(4,317)
Total Governmental Activities	40,400	1,214	11,682	(27,504)	-	(27,504)
Business-Type Activities:						
Water Fund	27,589	35,856	-	-	80,913	80,913
Total Primary Government	67,989	37,070	11,682	(27,504)	80,913	53,409
General Revenues:						
Property Taxes				4,251	-	4,251
Fee-In-Lieu of Property Taxes				1,098	-	1,098
Sales Taxes				11,019	-	11,019
Unrestricted Investment Earnings				3,040	3,418	6,458
Total General Revenues and Transfers				19,408	3,418	22,826
Change in Net Assets						
				(8,096)	84,331	76,235
Net Assets - Beginning				331,154	587,067	918,221
Net Assets - Ending				323,058	671,398	994,456

The notes to the financial statements are an integral part of this statement.

**HENRIEVILLE TOWN
BALANCE SHEET
GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2005

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	98,252
Due From Other Governmental Units	<u>1,458</u>
TOTAL ASSETS	<u><u>99,710</u></u>
LIABILITIES AND FUND BALANCES	
Liabilities	<u>-</u>
Fund Balances:	
Reserved For:	
Class C Road	73,600
Unreserved, Reported In:	
General Fund	<u>26,110</u>
Total Fund Balance	<u><u>99,710</u></u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>99,710</u></u>

The notes to the financial statements are an integral part of this statement.

HENRIEVILLE TOWN
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS

June 30, 2005

Total Fund Balances - Governmental Fund Types	99,710
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Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported in the funds:

Land	43,820	
Buildings	95,528	
Equipment	6,000	
Infrastructure	<u>78,000</u>	

Total		<u>223,348</u>
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Net Assets of Government Activities	<u><u>323,058</u></u>
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**HENRIEVILLE TOWN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2005

	<u>General Fund</u>
Revenues:	
Taxes	16,368
Intergovernmental Revenue	11,682
Interest	3,040
Miscellaneous Revenues	<u>1,214</u>
 Total Revenues	 <u>32,304</u>
 Expenditures:	
Current:	
General Government	15,333
Public Safety	2,279
Highways and Public Improvements	3,054
Culture and Recreation	<u>5,254</u>
 Total Expenditures	 <u>25,920</u>
 Net Change In Fund Balance	 6,384
 Fund Balance - Beginning	 <u>93,326</u>
 Fund Balance - Ending	 <u><u>99,710</u></u>

The notes to the financial statements are an integral part of this statement.

HENRIEVILLE TOWN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities
are different because:

Net Changes in Fund Balances - Total Governmental Funds

6,384

Governmental funds report capital outlays as expenditures. However, in
the statement of activities the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense. This is the
amount of depreciation in the current period:

Depreciation

(14,480)

Changes In Net Assets of Governmental Activities

(8,096)

**HENRIEVILLE TOWN
STATEMENT OF NET ASSETS
PROPRIETARY FUND**

June 30, 2005

	Business-Type Activity <u>Enterprise Fund</u>	<u>Water Fund</u>
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	36,624	
Accounts Receivable	<u>3,013</u>	
Total Current Assets		<u>39,637</u>
Noncurrent Assets:		
Investments - Restricted:		
Bond Reserves	17,560	
Unexpended Bond and Grant Proceeds	30,355	
Capital Assets: (Net of Accumulated Depreciation)		
Improvements Other Than Buildings	119,439	
Water Systyem	215,692	
Equipment	900	
Construction In Progress	<u>585,864</u>	
Total Noncurrent Assets		<u>969,810</u>
TOTAL ASSETS	<u>1,009,447</u>	
LIABILITIES:		
Current Liabilities:		
Bonds Payable - Current Portion	14,610	
Noncurrent Liabilities:		
Bonds Payable - Long-Term Portion	<u>323,439</u>	
TOTAL LIABILITIES	<u>338,049</u>	
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	583,846	
Restricted for:		
Bond Reserves	17,560	
Construction	30,335	
Unrestricted	<u>39,657</u>	
TOTAL NET ASSETS		<u>671,398</u>
TOTAL LIABILITIES AND NET ASSETS	<u>1,009,447</u>	

The notes to the financial statements are an integral part of this statement.

HENRIEVILLE TOWN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND

June 30, 2005

	Business-Type Activity <u>Enterprise Fund</u>
	<u>Water Fund</u>
Operating Revenues:	
Charges for Sales and Services:	
Water Fees	<u>35,856</u>
Total Operating Revenues	<u>35,856</u>
Operating Expenses:	
Administration	6,332
Materials and Supplies	10,259
Depreciation	<u>10,117</u>
Total Operating Expenses	<u>26,708</u>
Operating Income	<u>9,148</u>
Nonoperating Revenues (Expenses):	
Investment Earnings	3,418
Interest Expense	(881)
Capital Grants	<u>72,646</u>
Total Nonoperating Revenues (Expenses)	<u>75,183</u>
Change in Net Assets	84,331
Total Net Assets - Beginning	<u>587,067</u>
Total Net Assets - Ending	<u><u>671,398</u></u>

The notes to the financial statements are an integral part of this statement.

**HENRIEVILLE TOWN
STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

June 30, 2005

	Business-Type Activity Enterprise Fund
	<u>Landfill</u>
Cash Flows From Operating Activities:	
Receipts From Customers	33,643
Payments to Suppliers	(13,236)
Payments to Employees	<u>(3,355)</u>
Net Cash Provided by Operating Activities	<u>17,052</u>
Cash Flows From Capital and Related Financing Activities:	
Capital Grants Received	72,646
Principal Paid on Capital Debt	(14,567)
Interest Paid on Capital Debt	<u>(881)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>57,198</u>
Cash Flows from Investing Activities:	
Interest Received	3,418
Purchase of Investments	<u>(421,870)</u>
Net Cash Provided (Used) by Investing Activities	<u>(418,452)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(344,202)
Cash and Cash Equivalents - Beginning	<u>428,741</u>
Cash and Cash Equivalents - Ending	<u><u>84,539</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:	
Operating Income	<u>9,148</u>
Adjustments to Reconcile Operating Income to Net Cash Provided Provided (Used) By Operating Activities:	
Depreciation	10,117
(Increase) Decrease in Operating Assets:	
Accounts Payable	<u>(2,213)</u>
Total Adjustments	<u>7,904</u>
Net Cash Provided (Used) by Operating Activities	<u><u>17,052</u></u>

The notes to the financial statements are an integral part of this statement.

**HENRIEVILLE TOWN
NOTES TO FINANCIAL STATEMENTS**

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Henrieville Town conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2005.

The following is a summary of the more significant policies:

A. Reporting Entity

Henrieville Town is a municipal corporation in Garfield County, Utah. It is governed by an elected mayor and four member council. As required by generally accepted accounting principles, these financial statements are of the primary government, Henrieville Town, the reporting entity. The Town has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**HENRIEVILLE TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Henrieville Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Government reports the following Proprietary Funds:

The Water Fund accounts for the activities of the Town's water operation. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Fund are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**HENRIEVILLE TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

**HENRIEVILLE TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Buildings	40 Years
Improvements	50 Years
Equipment	10 - 20 Years

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

E. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Property Taxes

Property taxes are assessed and collected for the Town by Garfield County and remitted to the Town shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

**HENRIEVILLE TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Budgets and Budgetary Accounting:

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and Town council on or before June 22 for the following Fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the Town Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund. The level of the Town's budgetary control (the level at which the Town's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the appropriation of unreserved General Fund balance to an amount less than 5% of the General Fund revenues. The 5% reserve that cannot be budgeted is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. Any unreserved General Fund balance greater than 18% of the next year's budgeted revenues must be appropriated within the following two years.

Once adopted, the budget may be amended by the Town Board without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

NOTE 2 - DEPOSITS AND INVESTMENTS

Henrieville Town maintains a cash investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Cash Equivalents".

Deposits:

At year end, the carrying amount of the Town's deposits was \$38,372 and the bank balances were \$42,153. All of the bank balances were covered by federal depository insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the Money Management Council.

HENRIEVILLE TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Cash and investments as of June 30, 2005, consist of the following:

	<u>Fair Value</u>
Demand Deposits	38,371
Investments - PTIF	<u>144,420</u>
Total Cash and Investments	<u><u>182,791</u></u>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Governmental Activities	98,252
Business-Type Activities - Unrestricted	36,624
Business-Type Activities - Restricted	<u>47,915</u>
Total Cash and Cash Equivalents	<u><u>182,791</u></u>

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that Town funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invest in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by the Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

**HENRIEVILLE TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposit and Investment Risk:

The Town maintains no investment policy containing any specific provisions intended to limit the Town's exposure to interest rate risk, credit risk and concentration of credit risk other than that imposed by UMMA. The Town's compliance with the provisions of UMMA addressed each of these risks.

Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. All deposits and investment of the Town are available immediately.

Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. All of the Town's demand deposits are covered by FDIC insurance.

Custodial credit risk for investment is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. This risk is addressed through the policy of investing excess monies only in PTIF.

Concentration of Credit Risk:

Concentration of credit risk the risk of loss attributed to the magnitude of a government's investments in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

NOTE 3 - BOND RESERVES

The 1981 water revenue bonds require a reserve for repairs and maintenance to be maintained. The balance of the reserve for repairs and maintenance at June 30, 2005, is \$14,830.

The 2003 parity water revenue bonds require an emergency reserve of \$14,000 to be established over a period of 72 months beginning on May 1, 2004. The balance of this reserve at June 30, 2005, is \$2,730.

The bond reserves at June 30, 2005, are \$17,560.

HENRIEVILLE TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	<u>43,820</u>	<u>-</u>	<u>-</u>	<u>43,820</u>
Total Capital Assets Not Being Depreciated	<u>43,820</u>	<u>-</u>	<u>-</u>	<u>43,820</u>
Capital Assets Being Depreciated:				
Buildings	169,208	-	-	169,208
Machinery and Equipment	12,500	-	-	12,500
Infrastructure	<u>195,000</u>	<u>-</u>	<u>-</u>	<u>195,000</u>
Total Capital Assets Being Depreciated	<u>376,708</u>	<u>-</u>	<u>-</u>	<u>376,708</u>
Less Accumulated Depreciation For:				
Buildings	69,700	3,980	-	73,680
Machinery and Equipment	5,750	750	-	6,500
Infrastructure	<u>107,250</u>	<u>9,750</u>	<u>-</u>	<u>117,000</u>
Total Accumulated Depreciation	<u>182,700</u>	<u>14,480</u>	<u>-</u>	<u>197,180</u>
Total Capital Assets Being Depreciated (Net)	<u>194,008</u>	<u>(14,480)</u>	<u>-</u>	<u>179,528</u>
Governmental Activities Capital Assets, Net	<u>237,828</u>	<u>(14,480)</u>	<u>-</u>	<u>223,348</u>

HENRIEVILLE TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 4 - CAPITAL ASSETS CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Water System	317,196	-	-	317,196
Buildings and Improvements	183,631	-	-	183,631
Equipment	3,257	-	-	3,257
Construction In Progress	<u>163,994</u>	<u>421,870</u>	<u>-</u>	<u>585,864</u>
 Total Capital Assets Being Depreciated	 <u>668,078</u>	 <u>421,870</u>	 <u>-</u>	 <u>1,089,948</u>
 Less Accumulated Depreciation For:				
Water System	95,160	6,344	-	101,504
Buildings and Improvements	60,619	3,573	-	64,192
Equipment	<u>2,157</u>	<u>200</u>	<u>-</u>	<u>2,357</u>
 Total Accumulated Depreciation	 <u>157,936</u>	 <u>10,117</u>	 <u>-</u>	 <u>168,053</u>
 Total Capital Assets Being Depreciated (Net)	 <u>510,142</u>	 <u>411,753</u>	 <u>-</u>	 <u>921,895</u>
 Business Type Activities Capital Assets, Net	 <u>510,142</u>	 <u>411,753</u>	 <u>-</u>	 <u>921,895</u>
 Total Capital Assets	 <u><u>747,970</u></u>	 <u><u>397,273</u></u>	 <u><u>-</u></u>	 <u><u>1,145,243</u></u>

Depreciation expense was charged to functions of the Primary Government as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Public Safety	4,230	-	4,230
Public Health	-	10,117	10,117
Highways and Streets	<u>10,250</u>	<u>-</u>	<u>10,250</u>
 Total Depreciation Expense	 <u><u>14,480</u></u>	 <u><u>10,117</u></u>	 <u><u>24,597</u></u>

**HENRIEVILLE TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

NOTE 5 - BONDS PAYABLE

1981 Water Revenue Bonds Payable:

On March 12, 1981, the Town issued Water Revenue Bonds in the amount of \$41,500 to Farmers Home Administration for the purpose of helping to finance the cost of constructing and installing new collection, storage and transmission facilities and additions to the water distribution system and in other ways improving the existing water system.

The bond calls for monthly payments by the Town of \$201.00 including interest at 5% over 40 years. The balance at June 30, 2005, was \$16,049.

The following is an amortization of 1981 Water Revenue Bonds to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005 - 2006	1,610	804	2,414
2006 - 2007	1,690	724	2,414
2007 - 2008	1,775	639	2,414
2008 - 2009	1,863	551	2,414
2009 - 2010	1,956	458	2,414
2011 - 2015	<u>7,155</u>	<u>358</u>	<u>7,513</u>
Total	<u>16,049</u>	<u>3,534</u>	<u>19,583</u>

Parity Water Revenue Bond, Series 2003:

On September 10, 2003, the Mayor and Town Council of Henrieville Town authorized the issuance of Parity Water Revenue Bonds, Series 2003 in the amount of \$335,000. These bonds will be used for the purpose of paying all or part of the cost of the construction and development of a new well, construction and installation of a storage tank and water transmission lines and replacement of distribution lines, together with all related work and improvements, the acquisition of necessary land and easements and the payment of all related costs and services including engineering, expenses and costs of the issuance of the bonds and the costs to acquire and provide all appurtenant facilities of this project.

The bonds were issued with a 25 year payback with 0% interest and annual payments. The balance at June 30, 2005, was \$322,000.

HENRIEVILLE TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 5 - BONDS PAYABLE (CONTINUED)

The following is an amortization of Parity Water Revenue Bonds, Series 2003, to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005 - 2006	13,000	-	13,000
2006 - 2007	13,000	-	13,000
2007 - 2008	13,000	-	13,000
2008 - 2009	13,000	-	13,000
2009 - 2010	13,000	-	13,000
2011 - 2015	65,000	-	65,000
2016 - 2020	66,000	-	66,000
2021 - 2025	70,000	-	70,000
2026 - 2030	56,000	-	56,000
Total	<u>322,000</u>	<u>-</u>	<u>322,000</u>

The following is an amortization of total revenue bonds to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005 - 2006	14,610	804	15,414
2006 - 2007	14,690	724	15,414
2007 - 2008	14,775	639	15,414
2008 - 2009	14,863	551	15,414
2009 - 2010	14,956	458	15,414
2011 - 2015	72,155	358	72,513
2016 - 2020	66,000	-	66,000
2021 - 2025	70,000	-	70,000
2026 - 2030	56,000	-	56,000
Total	<u>338,049</u>	<u>3,534</u>	<u>341,583</u>

The following is a schedule of changes in bonds payable:

	<u>Outstanding June 30, 2004</u>	<u>Issued</u>	<u>Matured</u>	<u>Outstanding June 30, 2005</u>
1981 Water Revenue Bond	17,616	-	1,567	16,049
2003 Parity Water Revenue Bond	335,000	-	13,000	322,000
	<u>352,616</u>	<u>-</u>	<u>14,567</u>	<u>338,049</u>

**HENRIEVILLE TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

NOTE 6 - RESERVED FUND BALANCE - CLASS C ROAD

The Town receives Class C Road money from the State for road construction and maintenance. The unexpended portion of this money is shown as reserved fund balance in the financial statements.

The following is schedule of receipts and disbursements in the Class "C" Road:

Balance - Beginning of Year	65,706
Receipts:	
State Allotments	9,605
Interest	<u>1,343</u>
Total Receipts	10,948
Disbursements	<u>(3,054)</u>
Balance - End of Year	<u><u>73,600</u></u>

NOTE 7 - UTAH STATE RETIREMENT PLANS

Henrieville Town does not participate in the Utah State Retirement Plan nor does it participate in any other retirement plan.

NOTE 8 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The town participates in the Utah Local Governments Trust. The insurance coverage's are written on a group purchase arrangement. All of the insurance coverage is brokered and written through various insurance companies. Utah Local Government Trust acts as the broker.

Liability:

The Town is insured for \$1,000,000 combined single limit with a \$500 deductible per occurrence for Comprehensive General Liability. Bodily injury, personal injury, property damage, public officials errors and omissions coverage \$1,000,000 aggregate each policy period with a \$500 deductible each accident.

Automobile Liability:

The Town is insured for automobile bodily injury for \$1,000,000 combined single limit per accident with a \$500 deductible each accident. Property damage \$1,000,000 aggregate each policy period. The coverage also covers uninsured motorist \$50,000 each accident and \$50,000 each policy period.

**HENRIEVILLE TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

NOTE 8 - RISK MANAGEMENT (CONTINUED)

Property:

All of the property coverage is brokered and written through United States Fidelity and Guaranty Insurance Company. Buildings and equipment are covered based on replacement costs subject to a \$1,000 deductible.

Workers Compensation:

This coverage is provided through the Workers Compensation Fund of Utah.

The Town has not experienced any significant reduction in insurance coverage from the previous year nor has it paid any settlements in excess of insurance coverage in the past three fiscal years.

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is used to assist in formatting, for easier reading)

**REQUIRED SUPPLEMENTARY
INFORMATION
"UNAUDITED"**

**HENRIEVILLE TOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1, 2004	<u>93,326</u>	<u>93,326</u>	<u>93,326</u>	<u>-</u>
Resources (Inflows):				
Taxes:				
General Property Taxes	4,300	4,300	4,251	(49)
General Sales and Use Taxes	12,000	12,000	11,019	(981)
Fee-In-Lieu	<u>1,200</u>	<u>1,200</u>	<u>1,098</u>	<u>(102)</u>
Total Taxes	<u>17,500</u>	<u>17,500</u>	<u>16,368</u>	<u>(1,132)</u>
Intergovernmental Revenue:				
Class C Road	47,000	47,000	9,605	(37,395)
State Liquor Allotment	-	-	45	45
Garfield County Fire Protection	<u>4,100</u>	<u>4,100</u>	<u>2,032</u>	<u>(2,068)</u>
Total Intergovernmental Revenue	<u>51,100</u>	<u>51,100</u>	<u>11,682</u>	<u>(39,418)</u>
Charges for Services:				
Television	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Miscellaneous Revenue:				
Interest	3,500	3,500	3,040	(460)
Miscellaneous	<u>-</u>	<u>-</u>	<u>1,214</u>	<u>1,214</u>
Total Miscellaneous Revenue	<u>3,500</u>	<u>3,500</u>	<u>4,254</u>	<u>754</u>
Amounts Available for Appropriation	<u>175,426</u>	<u>175,426</u>	<u>125,630</u>	<u>(49,796)</u>

**HENRIEVILLE TOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Charges to Appropriations (Outflows):				
General Government:				
Administration	27,000	27,000	9,108	17,892
Professional Services	7,000	7,000	6,225	775
Total General Government	34,000	34,000	15,333	18,667
Public Safety:				
Fire Department	-	-	1,004	(1,004)
Security Lights	1,300	1,300	1,275	25
Total Public Safety	1,300	1,300	2,279	(979)
Highway and Public Improvements:				
Repairs and Maintenance	35,000	35,000	3,054	31,946
Culture and Recreation:				
Parks and Recreation	10,000	10,000	5,254	4,746
Nondepartmental:				
Budgeted Increase In Fund Balance	1,800	1,800	-	1,800
Total Charges to Appropriations	82,100	82,100	25,920	56,180
Budgetary Fund Balance - June 30, 2005	93,326	93,326	99,710	6,384

**HENRIEVILLE TOWN
NOTE A
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION**

For The Fiscal Year Ended June 30, 2005

	<u>General Fund</u>
Sources/Inflows and Resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedules.	125,630
Differences - Budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	<u>(93,326)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u><u>32,304</u></u>
Uses/Outflows of Resources:	
Actual amounts (budgetary Basis "total charges to appropriations" from the budgetary comparison schedules.	25,920
Differences - Budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u><u>25,920</u></u>

COMPLIANCE SECTION

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

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Richfield, Utah 84701

Phone 896-6488

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Town Board
Henrieville Town
Henrieville, Utah 84736

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Henrieville Town as and for the year ended June 30, 2005, which collectively comprise Henrieville Town's basic financial statements and have issued our report thereon dated December 13, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Henrieville Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether Henrieville Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of Henrieville Town in a separate letter dated December 13, 2005.

Honorable Mayor and Town Board
Henrieville Town
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This report is intended solely for the information and use of the audit committee, management, Town Board and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

December 13, 2005
Richfield, Utah

Kimball & Roberts

Certified Public Accountants
A Professional Corporation

Box 663
Richfield, Utah 84701
Phone 896-6488

AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and Town Board
Henrieville Town
Henrieville, Utah 84736

We have audited the financial statements of Henrieville Town, for the fiscal year ended June 30, 2005, and have issued our report thereon dated December 13, 2005. As part of our audit, we have audited Henrieville Town's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the fiscal year ended June 30, 2005. The Town received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

Our audit also included testwork on the Town's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Property Tax
Other Compliance Requirements

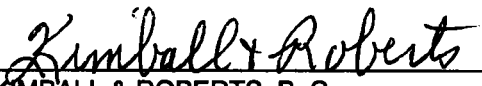
The management of Henrieville Town is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

Honorable Mayor and Town Board
Henrieville Town
Page -2-

In our opinion, Henrieville Town, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the fiscal year ended June 30, 2005.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

December 13, 2005
Richfield, Utah

**HENRIEVILLE TOWN
MANAGEMENT LETTER
JUNE 30, 2005**

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

FINDINGS AND RECOMMENDATIONS

Honorable Mayor and Town Board
Henrieville Town
Henrieville, Utah 84736

During our audit of the funds of Henrieville Town for the fiscal year ended June 30, 2005, we noted certain areas needing corrective action in order for the Town to be in compliance with state laws and regulations. These items are discussed below for your consideration.

COMPLIANCE:

Cash Management

Utah Code Section 51-4-2(2) requires that all public funds be deposited daily, when practicable, but not later than three days after receipt.

Finding:

During our audit we noted that public funds are not always being deposited within three days of receipt.

Recommendation:

We recommend that the Town deposit all public funds within three days of receipt as required by state law.

Response:

We have reviewed the above finding with management and management agrees with the recommendation.

Fidelity Bond

State law requires every public treasurer to secure a fidelity bond based on the previous years budgeted gross revenues, which includes all funds collected or handled by the Treasurer.

Finding:

We noted during our test of State compliance for fidelity bond coverage that the clerk is not bonded.

Recommendation:

We recommend that the Town obtain a fidelity bond of at least \$9,000 to meet the requirements of the State.

Response:

We have reviewed the above finding with management and management agrees with the recommendation.

Purchasing Policies and Procedures

Finding:

The Town does not presently have formal written purchasing policies and procedures.

Recommendation:

We recommend that the Town adopt formal written purchasing policies that contain, at minimum, the provisions recommended by the State.

Response:

We have reviewed the above finding with management and management agrees with the recommendation.

Payroll

Finding:

During our test of payroll we noted that the quarterly 941's had been filed showing the total wages and the related liability for Social Security and Medicare that had been paid. However, there has not been a W-2 prepared for the employee or a W-3 sent to the Social Security Administration.

Recommendation:

We recommend that a W-2 and W-3 be prepared and submitted to the appropriate federal agencies.

Response:

We have reviewed the above finding with management and management agrees with the recommendation.

Honorable Mayor and Town Board
Henrieville Town
Page -3-

We would like to take this opportunity to thank Henrieville Town's personnel for the cooperation and assistance given to us during the course of our examination.

Respectfully submitted,


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

December 13, 2005
Richfield, Utah